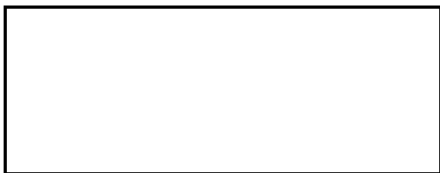


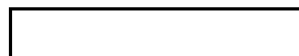
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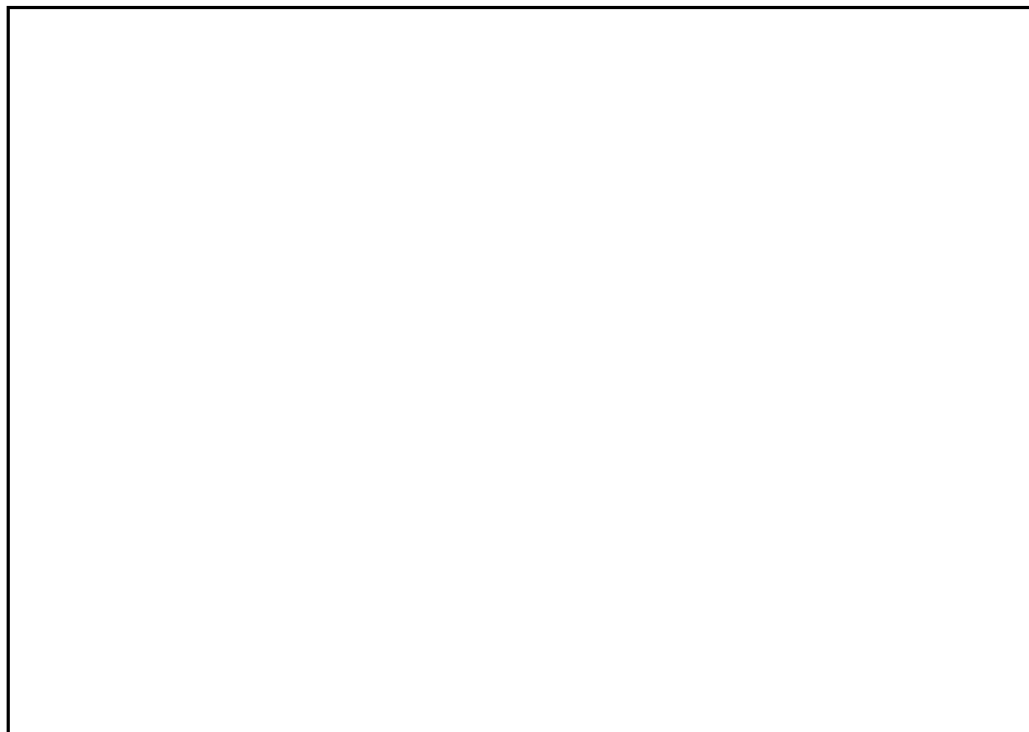
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OFFICE OF CURRENT INTELLIGENCE CENTRAL INTELLIGENCE AGENCY

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* * * *

THE ARAB-ISRAELI SITUATION

[REDACTED]

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[REDACTED]

1. RIOTS IN POLAND

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Press reports of rioting which paralyzed the Polish city of Poznan throughout 28 June have been confirmed by a Polish government broadcast which states in part that "Enemy agents succeeded today (28 June) in provoking street riots. Certain public buildings were attacked and this led to casualties." There has been no confirmation of rumors that similar riots have broken out in other Polish cities.

The disturbances in Poznan apparently started early in the morning on a limited scale as a protest by factory workers against low wages, lack of food, and poor working conditions. According to eyewitnesses, a mass demonstration rapidly developed and took on political overtones when the headquarters of the Polish United Workers (Communist) Party was attacked. Soviet flags were torn down, and the crowds began calling for the Russians to leave Poland.

The workers probably were stimulated to demonstrate at this time by the fact that the 25th International Trade Fair is now being held in Poznan. They shouted in German and French to visiting foreigners: "Tell the outside world what you have seen. We want things to become better, and we want the Soviets to disappear."

The regime has stated that order has been restored. According to eyewitness reports, the armed forces, including tank units, were used to curb the demonstration. Local police are reported to have stood by passively until the arrival of the armed forces.

Despite the current liberalization program in Poland, it seems likely that the regime will carry out its threat to punish those responsible "with all the severity of the law" and will use whatever force is necessary to keep the riots from spreading. The demonstrations will be considered by the Communist leaders an example of the dangers of proceeding too rapidly with the liberalization program. The liberal forces within the Polish party are probably alarmed by the demonstrations and will be more cautious than in the past in pressing their view that further reforms are desirable.

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2. TITO REITERATES CRITICISM OF CERTAIN SATELLITE LEADERS

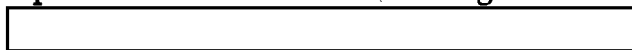
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President Tito in a speech on his return to Belgrade on 27 June said further self-criticism on the part of "individual leaders" in some of the East European countries was necessary before Yugoslavia could conclude agreements similar to those signed with the USSR and Rumania. He alluded in particular to a "certain reserve" on the part of the individual Eastern European leaders, who "find it hard to say what must be said and who think that their prestige will suffer if they say it."

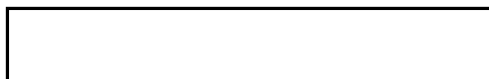
Comment

Tito's remarks are presumably directed at the Communist leaders of Hungary, Bulgaria and Albania who, in the Yugoslav view, still have not made adequate accommodation to Belgrade's new relationship with Moscow.



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3. SHEPILOV'S TALKS WITH THE LEBANESE

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The talks between Lebanese leaders and Soviet foreign minister Shepilov, who ended his visit to the Arab states on 28 June, apparently were inconclusive and reports suggest some disagreement.

Possibly to strengthen their hand in turning down Soviet offers, Lebanese officials made a big issue out of Shepilov's unwilling-

ness to come out for Arab demands regarding Palestine. A formal note to Shepilov from the parliament asked clarification of the Soviet position on Palestine. The Lebanese press noted that the USSR recognized and helped establish Israel and urged Shepilov to state whether the USSR still adhered to a Palestine settlement "on a mutually acceptable basis." Shepilov made no statement on Palestine.

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**4. CHOU EN-LAI MAKES NEW OFFER TO NEGOTIATE
WITH NATIONALISTS**

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[REDACTED]

Chou En-lai, in a speech to the Communist Chinese National People's Congress on 28 June, reaffirmed Peiping's position that Taiwan must be "liberated" and claimed that the possibility of a peaceful solution "is increasing."

Expanding on his offer of July 1955 to negotiate with the "Taiwan authorities," Chou invited the Nationalists to name the time and place for talks about "specific steps and conditions" for "peaceful liberation." He repeated earlier promises of good treatment for "meritorious" Nationalists.

Chou's appeal is unlikely to influence the Nationalist government, which has vigorously rejected previous Communist overtures, but his mild tone will probably draw a favorable reaction from neutralist countries, many of which already support Peiping's claims to Taiwan.

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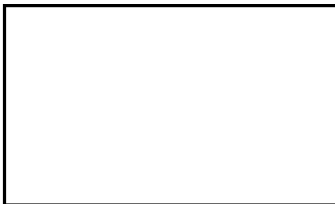
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6. MAGSAYSAY MAKES PUBLIC STATEMENT ON AMERICAN BASES

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Philippine president Magsaysay commented to the press on 26 June that he personally favored expansion of American bases in the Philippines because "more bases, more radar stations, more naval installations normally would mean better security for our country." He added, however, that any decision on expansion of the bases must await resolution of the fundamental questions of ownership, delimitation, and jurisdiction.

Comment

Magsaysay's remarks are probably aimed at obtaining Philippine congressional approval for the furnishing of additional base lands during the coming negotiations with the United States. At the same time, he is pointing up the view that Philippine ownership of the bases must be recognized prior to renegotiation of the present base agreement.

While there is some Philippine congressional support for expanding the present base lands, Magsaysay's remarks may be expected to draw fire from extremists like Senator Recto, whose apparent aim is to reduce the number and size of the bases to a minimum.



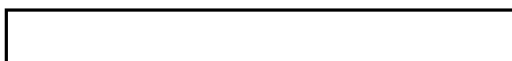
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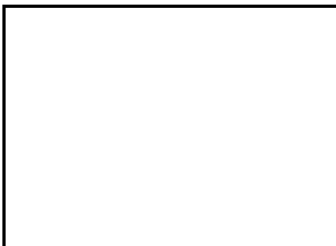
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8. POST-ELECTION COMPLICATIONS IN ICELAND

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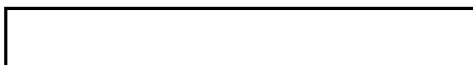


The inconclusive outcome of the Icelandic parliamentary elections of 24 June has resulted in a "chaotic" political situation and negotiations to form a new government are likely to be protracted, according to the American embassy in Reykjavik. A situation could arise in which new elections might become necessary.

The embassy believes that Herman Jonasson, chairman of the Progressive Party, one of the groups which campaigned against the American-manned NATO base at Keflavik, will probably try to form a new government. If he is unable to reach agreement with the Conservatives, he may content himself with a minority government of the Progressives and their election allies, the Social Democrats. In such a situation, the life of the government would depend on either Conservative or Communist parliamentary support.

A new complicating factor is the possibility that the Conservatives may challenge in parliament the legality of four seats gained by the Social Democrats in their election alliance with the Progressives. If successful, this move might necessitate new elections and raise some question as to the competence of an interim government to negotiate a revision of the 1951 defense agreement with the United States in the talks scheduled to begin on 1 August.

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9. THE SITUATION IN GUATEMALA

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[REDACTED]

By 28 June the Guatemalan government with army support appeared to have the situation in the country under control.

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[REDACTED]

[REDACTED] No serious disorders since the students' demonstration on the evening of 25 June have been reported. [REDACTED]

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The major threat to Castillo's regime continues to be possible disaffection on the part of his rightist support. The government, however, continues to stress the theme that students who caused the recent disturbances were acting on behalf of Communism. It seems unlikely that this support will shift unless a general revulsion is brought about by a repetition of such stern repressive measures as the shooting of students.

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10. DEVELOPMENTS IN PERU

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The Peruvian government on 27 June arrested Ramiro Priale, leader of the outlawed leftist but non-Communist APRA party. The move may have been provoked by a post-election announcement of the apparently victorious presidential candidate, Manuel Prado, that he planned to give APRA legal status.

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The government also for the first time in several months has failed to support workers' demands.

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reported on 26 June that the government would allow the strikes to continue for several days and then move against the strikers with armed force.

The government's simultaneous action against both labor and the popular APRA party is likely to lead to further disturbances. The attaché believes such disturbances would provoke the military to take over the government.

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THE ARAB-ISRAELI SITUATION
(Information as of 1700, 28 June)

The Israeli border police are preparing for an increase in Jordanian-Israeli border incidents. [REDACTED]

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[REDACTED] the Israeli technique for meeting this situation would be to use carefully organized and augmented border police units which would ambush and eliminate Jordanian terrorist infiltrators. There would be no "retaliatory" action. Even if this tactic is tried by the Israelis, the difficulty they have met in the past in preventing terrorists from entering and leaving the country suggests that Tel Aviv would fall back on "retaliation" fairly soon if terrorist depredations were resumed on a large scale. [REDACTED]

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